

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
100 USDA, Suite 102  
Stillwater, Oklahoma 74074-2653

**OK Notice FLP-471**

**For:** County Offices

**2-FLP**

**Central National Bank  
Preferred Lender Program Status**

Approved by: State Executive Director



**1 Overview**

**A Background**

2-FLP governs the processing and servicing of guaranteed loans. The Preferred Lender Program (PLP) allows lenders to originate and service guaranteed loans as they do their non-guaranteed loans.

**B Purpose**

The purpose of this notice is to:

- Advise County Offices that the Central National Bank Lender's Agreement and Credit Management System (CMS) has been approved for renewal by the Deputy Administrator Farm Loan Programs.
- Provide guidance and direction to staff to ensure continuous service to the Lender.

**C Contact**

Direct any questions concerning this notice to Patty Wanger at (405) 742-1052 in the Oklahoma State Office.

**D Filing Instructions**

This notice should be filed with the FLP series Notices.

Disposal Date	Distribution
June 22, 2009	Farm Loan Program Teams, County Offices, DD's, COR's

**2     Action**

**A     County Office Action**

Attached is a copy of the revised and renewed Central National Bank Lender's Agreement and Credit Management System (CMS). This replaces the CMS that is attached to the bank's master June 22, 1999, Lender's Agreement, **(maintain and do not destroy)** on file.

The PLP status will remain in effect for the 5-year period, June 22, 2004, to June 22, 2009.

PLP lenders will use their own CMS for originating and servicing FLP-guaranteed loans. Any action not addressed in the CMS will then be in accordance with 2-FLP, as a CLP lender.

The County Office shall develop and maintain an operational file on each lender. This file will contain the information outlined in 2-FLP Par. 48 B, Operational File.

**B     Loan Making**

Only Central National Bank employees listed in the CMS assigned to the Guaranteed FLP PLP Credit Team can submit guaranteed loan applications. All PLP guaranteed loan applications should be filed with the Farm Loan Manager servicing the county which has been designated as the centralized PLP application-processing county.

Under Par. 83 B, PLP applications must be approved or rejected and the lender also notified of the decision within 14 calendar days of the complete application.

**C     Loan Servicing**

All PLP guaranteed loans, once closed, shall be sent to the Farm Loan Manager servicing the county where the borrower's principal residence on the farm is located. If the borrower's residence is not located on the farm or the borrower is an entity, the loan will be serviced in the county where the farm or major portion of the farm is located, unless otherwise approved by the State Office.

If not covered under the CMS, Central National Bank must follow the servicing requirements for CLP lenders found in 2-FLP Handbook.

All loan servicing actions on existing guaranteed loans will be based on the current CMS in effect, regardless if the loan was approved under a previous CMS revision.

**D     PLP Designated Loan Officers**

Following is a complete list of persons designated to originate and service PLP loans for Central National Bank, as outlined in their CMS, and who have attended required annual FSA lender training.

Chris Fenton, Executive Vice President  
Johnny Baker, Vice President  
Tracey Smith, Vice President

**E     CMS Interpretation**

Contact the FLP Section at the State Office for any assistance and/or guidance in regards to the interpretation of Central National Bank PLP Lender's Agreement/Credit Management System (CMS).



United States  
Department of  
Agriculture

JUN 15 2004

Farm and Foreign  
Agricultural  
Services

Farm Service  
Agency

1400 Independence  
Ave, SW  
Stop 0522  
Washington, DC  
20250-0522

Mr. Chris Fenton  
Executive Vice President  
Central National Bank  
Post Office Box 340  
Poteau, Oklahoma 74953

Dear Mr. Fenton:

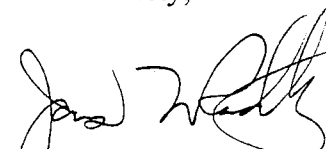
We are pleased to inform you that Central National Bank has been approved for renewal as a Preferred Lender for Farm Service Agency (FSA) guaranteed loans. A copy of the signed Lender's Agreement and Credit Management System summary for the renewal is enclosed.

We anticipate that the Preferred Lender Program will continue to enhance the availability of agricultural credit in your area. We look forward to a continued working relationship with you and other officials of Central National Bank, in providing needed assistance to the nation's family farmers and ranchers.

Oklahoma will be notified of your renewed status as a Preferred Lender.

Thank you for your continued interest and participation in FSA's guaranteed loan program.

Sincerely,

  
Carolyn B. Cooksie  
Deputy Administrator for  
Farm Loan Programs

Enclosures

01/SED

RECEIVED  
JUN 23 2004  
OKLAHOMA STATE FSA  
OFFICE



# Preferred Lender

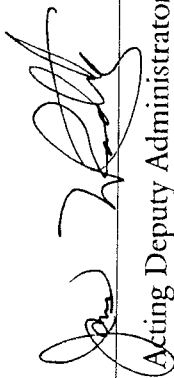
**Farm Service Agency**

**Central National Bank**

*Is a Preferred Lender for the  
Farm Service Agency*

June 15, 2004

Date

  
Acting Deputy Administrator for Farm Loan Programs



**FSA-1980-38**  
(06-09-99)

U.S. DEPARTMENT OF AGRICULTURE  
Farm Service Agency

## LENDER'S AGREEMENT

See page 6 for Privacy Act and Public Burden Statements.

The purpose of this Agreement is to establish the lender as an approved participant in the guaranteed loan programs of the Farm Service Agency, U.S. Department of Agriculture. This Agreement provides the terms and conditions for originating and servicing such loans, including lines of credit. Provide the requested information, read this agreement in its entirety and sign in the space on the last page. Your signature indicates consent with this agreement.

### Part A - Background Information

1. Lender's Name and Mailing Address Central National Bank Post Office Box 340 Poteau, Oklahoma 74953	2. Tax Identification Number 73-0177597
	3. Telephone Number (include area code) (918) 647-2233

4. This agreement establishes the above lender as a:

☒ Preferred Lender (PLP) ☐ Certified Lender (CLP) ☐ Standard Eligible Lender (SEL)

5. The following suboffices of the lender are covered under this agreement:

☒ All Offices

As outlined in the attached Credit Management System.

6. The lender is authorized to submit loan guarantees in the following FSA Offices:

As outlined in the attached Credit Management System.



**Part B - Duties and Responsibilities of FSA ("Agency")**

1. **Payment of Claims** - Agency agrees to make payment on its claims in accordance with the terms of the guarantee and Agency regulations in 7 C.F.R. part 762. The maximum loss payment may not exceed the amount determined in the guarantee, including the percentage of principal and any accrued interest, protective advances, and emergency advances. The guarantee is supported by the full faith and credit of the United States and is incontestable except under the circumstances of fraud or misrepresentation of which the lender has actual knowledge at the execution of the guarantee or which the lender participates in or condones.
2. **Personnel Available for Consultation** - Agency shall make personnel available for consultation on interpretations of Agency regulations and guidelines. The lender may consult with Agency personnel regarding unusual underwriting, loan closing, and loan liquidation questions.

**Part C - General Requirements of the Lender**

1. **Eligibility to Participate** - The lender must meet the requirement contained in 7 C.F.R. part 762 and be approved by the Agency to be a participant in the Guaranteed Loan Program.
2. **Knowledge of Program Requirements** - The lender is required to obtain and keep itself informed of all program regulations and guidelines, including all amendments and revisions. The lender must establish and maintain adequate and written internal policies for loan origination and servicing to meet these requirements. These policies will be made available to the Agency for review when requested.
3. **Notification** - The lender shall immediately notify the Agency in writing if the lender:
  - a. Becomes insolvent;
  - b. Has filed for any type of bankruptcy protection, has been forced into involuntary bankruptcy, or has requested an assignment for the benefit of creditors;
  - c. Has taken any action to cease operations, or to discontinue servicing or liquidating any or all of its portfolio guaranteed by the Government;
  - d. Has changed its name, location, address, tax identification number, or corporate structure;
  - e. Has been debarred, suspended, or sanctioned in connection with its participation in any Federal guaranteed program; or
  - f. Has been debarred, suspended, or sanctioned by any Federal or State licensing or certification authority.
4. **Employee Qualifications** - The lender shall maintain a staff that is well trained and experienced in origination and loan servicing functions, as necessary to ensure the capability of performing all the acts within its authority.
5. **Conflict of Interest** - When a lender applies for a guaranteed loan, the lender will inform the Agency in writing of any relationships which could result in a conflict of interest or the appearance of a conflict of interest. Reportable relationships include:
  - a. The lender or its officers, directors, principal stockholders (except stockholders in a Farm Credit System institution that have stock requirements to obtain a loan), or other principal owners having a financial interest in the loan applicant or borrower.
  - b. The loan applicant or borrower, a relative of the loan applicant or borrower, anyone residing in the household of the loan applicant or borrower, any officer, director, stockholder or other owner of the loan applicant or borrower holds any stock or other evidence of ownership in the lender.
  - c. The loan applicant or borrower, a relative of the loan applicant or borrower, or anyone residing in the household of the loan applicant or borrower is an Agency employee.
  - d. The officers, director, principal stockholders (except stockholders in a Farm Credit System institution that have stock requirements to obtain a loan), or other principal owners of the lender having substantial business dealings (other than in the normal course of business) with the loan applicant or borrower.
  - e. The lender or its officers, directors, principal stockholders, or other principal owners have substantial business dealings with an Agency employee.

**Part D - Underwriting Requirements****1. Responsibility**

The lender is responsible for originating, servicing, and collecting all guaranteed loans in accordance with Agency regulations.

**2. Origination Process**

- a. General Eligibility. The lender shall make a preliminary determination whether loan applicants meet the general eligibility requirements in Agency regulations. Agency will make the final determination.

**Part D - Underwriting Requirements (continued)**

- b. Delinquency on Federal Debt. The lender shall determine whether the loan applicant is delinquent on any Federal debt. The lender shall use credit reports and any other credit history in making this determination. If the loan applicant is delinquent on or a judgment debtor on any Federal debt, processing of the application may only continue in accordance with Agency regulations.
  - c. Appraisals of Collateral. The lender shall ensure that the value of any collateral property or property to be purchased is determined by a qualified appraiser, including a certified appraiser when required by law or regulation.
  - d. Change in Borrower's Condition. Before the Agency issues a loan guarantee, the lender will certify that there has been no adverse change in the borrower's condition, financial or otherwise, since submission of the application for guaranteed loan. For use in this provision alone, the term "borrower" includes any member, joint operator, partner or stockholder.
  - e. Limitation on Guarantee. Late charges of any kind including default charges and default interest will not be covered by the guarantee.
3. **Loan Closing** - All loans guaranteed by the Agency shall be closed by attorneys, escrow companies, escrow departments of lending institutions, or other persons, or entities skilled and experienced in conducting loan closings. The lender shall:
- a. Ensure funds for the particular loan or line of credit will be used only for the purposes authorized in Agency regulations and as contained in the conditional commitment;
  - b. Ensure that documents, including the mortgage and any security agreements, chattel mortgages or equivalent documents relating to it have been properly signed, are valid and contain terms enforceable by the lender;
  - c. Ensure that all security with appropriate lien priorities is obtained in accordance with the conditional commitment and Agency regulations;
  - d. Ensure that all closing documents required to be recorded are recorded accurately, in the appropriate offices, and in a timely and accurate manner;
  - e. Ensure that security interests are perfected in collateral according to applicable regulatory requirements and procedures;
  - f. Ensure that all required hazard insurance will be obtained in accordance with Agency regulations or is now in effect;
  - g. Collect all fees and costs due and payable by the borrower in the course of the loan transaction and disburse payment directly to the parties for services rendered;
  - h. Ensure that construction, relocation, repairs, or development will be complete in accordance with applicable drawings and specifications;
  - i. Ensure the borrower has marketable title to security property now owned, and will obtain such title to any additional property to be acquired with loan funds, subject only to the instruments securing the loan to be guaranteed and any other exceptions set forth in Agency regulations;
  - j. The entire loan will be secured equally with the same security and the same lien priority for both the guaranteed and unguaranteed portions of the loan, under the assurance that the unguaranteed portion of the loan will not be paid first nor given priority over the guaranteed portion of the loan;
  - k. Submit the required guarantee fee with the guaranteed loan closing report.
4. **Restriction and Disclosure of Lobbying Activities** - If any funds have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or any employee of a Member of Congress in connection with this commitment providing for the United States to guarantee a loan, the undersigned shall complete and submit Standard Form - LLL, "Disclosure of Lobbying Activities," in accordance with its instructions. Submission of this statement is a prerequisite for making or entering into any transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

**Part E - Servicing Requirements**

- 1. **Responsibilities** - The lender will service the entire loan as mortgagee and secured party of record in a reasonable and prudent manner, notwithstanding the fact that another party (holder) may hold a portion of the loan.
- 2. **Supervision** - The lender's responsibilities regarding borrower supervision include, but are not limited to, the following:
  - a. Ensure loan funds are not used for any unauthorized purpose.
  - b. Ensure borrower compliance with the covenants and provisions provided in the note, loan agreement, security instruments, any other agreements, and 7 C.F.R. part 762.
  - c. Perform an annual analysis of the borrower's financial condition to determine the borrower's progress when required by Agency regulations.

**Part E - Servicing Requirements (continued)**

- d. Account for all collateral.
  - e. Discuss any observations about the farm business with the borrower.
  - f. Ensure the borrower and any party liable for the loan is not released from liability for all or any part of the loan, except in accordance with Agency regulations.
3. **Reporting Requirements** - The lender recognizes that the Agency, as guarantor, has a vital interest in ensuring that all acts performed by the lender regarding the subject loans are performed in compliance with this agreement and Agency regulations. Information on the status of guaranteed loans is necessary for this purpose, as well as to satisfy budget and accounting reporting required by the Department of Treasury and the Office of Management and Budget. The lender agrees to provide Agency with all the data required under Agency regulations and any additional information necessary to monitor the status of its guaranteed loan portfolio, and to satisfy external reporting requirements.
- The lender also agrees to provide to the Agency upon request, copies of audited financial statements, reports on internal controls, copies of compliance audits, and such other information that may be required of the Agency to monitor the lender's performance.
4. **Negligent Servicing** - The guarantee cannot be enforced by the lender to the extent a loss results from a violation of usury laws or negligent servicing regardless of when the Agency discovers such violation or negligence. Negligent servicing is defined as the failure to perform services which a reasonably prudent lender would perform in servicing its own portfolio of loans that are not guaranteed. The term includes both a failure to act and not acting in a timely manner to include actions taken up to the time of loan maturity or until final loss is paid.
5. **Payments** - Payments from the borrower shall be reviewed by the lender and processed upon receipt according to Agency regulations, and may include escrow premiums for hazard insurance and real estate taxes. The lender shall promptly disburse to any holder the holder's pro rata share according to their respective interests in the loan, less only the lender's servicing fee.
6. **Collateral**
- a. Insurance. The lender shall ensure that adequate insurance is maintained in accordance with Agency regulations, including the maintenance of property, casualty, flood, and hazard insurance containing a loss payable clause in favor of the lender as the mortgagee or secured party.
  - b. Escrow Accounts. The lender may establish separate escrow accounts. All escrow accounts must meet applicable Federal and State laws and regulations, and must be fully insured by the FDIC or cross collateralized with unencumbered Government Securities.
  - c. Inspection. The lender shall inspect the collateral as often as necessary to properly service the loan and ensure the collateral is being properly maintained.
  - d. Taxes. The lender shall ensure that taxes, assessments, or ground rents against or affecting collateral are paid.
7. **Delinquent Accounts**
- a. A guaranteed loan is in default after 30 days have passed and the borrower has not made a payment as due or has otherwise violated a loan agreement. The lender is responsible for resolution of the default. The lender will notify the Agency using an FSA default status report when a borrower is 45 days past due or otherwise in default. This report will be submitted every 60 days thereafter and will contain a summary of collection, restructuring or liquidation steps taken since the previous report.
  - b. The lender may take actions to correct the default as provided in 7 C.F.R. part 762. A loan that has been sold on the secondary market can only be restructured if the loan is repurchased or upon written concurrence from the holder.
  - c. The lender will work in good faith with the borrower to allow them to cure the default, where reasonable. The lender must participate in mandatory farmer-creditor mediation in accordance with 7 C.F.R. part 762, State law and the rules that govern the mediation program that operates in the State in which the borrower resides.
  - d. The lender must consider the borrower for interest assistance as provided in 7 C.F.R. part 762. If the lender determines that default can be cured by rescheduling the loan with interest assistance, lender will request a determination of the borrower's eligibility by the Agency. Liquidation or foreclosure cannot be initiated until 60 days after consideration.
8. **Sales or Participation**
- a. The guaranteed portion of loans may be sold in accordance with 7 C.F.R. part 762. Lines of credit cannot be sold, but may be participated with other lenders.
  - b. When a loan has been sold, the holder can demand that the lender repurchase the unpaid guaranteed portion of a loan in accordance with the FSA assignment of guarantee.

**Part E - Servicing Requirements (continued)**

- c. If the lender is unable to repurchase, the holder may make a demand for repurchase to the Agency. Repurchase by the Agency in no way alters lender responsibilities to the loan under this agreement or the loan guarantee. A restructuring action may not be executed once the Agency has repurchased the guaranteed portion of the loan and within 180 days the lender must reimburse the Agency for the repurchase or liquidate the loan in accordance with Agency regulations. Lender must send the pro rata share of the borrower's payments directly to the Agency until liquidation is complete.
  - d. Failure to reimburse the Agency within 180 days for repurchase, if not waived by the Agency, is a violation of this agreement.
9. **Default/Liquidation**
- a. Protective Advances. Protective advances must constitute a debt of the borrower to the lender and be secured by the security instrument. Agency written authorization is required for protective advances in accordance with the terms and amounts specified by 7 C.F.R. part 762 regulations.
  - b. Additional Loan or Advances. In cases of a Line of Credit, the lender may make an emergency advance when a line of credit has reached its ceiling and additional funds are needed to prevent an imminent loss of crops or livestock that would take place if the emergency advance were not made. The lender must provide Agency with an analysis as required by Agency regulations.
  - c. Future Recovery. After a loan has been liquidated and a final loss has been paid by the Agency, any future funds which may be recovered from the borrower will be pro-rated between the Agency and the lender.
  - d. Bankruptcy. The lender is responsible for protecting the guaranteed loan debt and all collateral securing the loan in bankruptcy proceedings. Loss payments on bankruptcy cases will be processed according to the terms described in Agency regulations.
  - e. Liquidation. Liquidations must receive prior Agency concurrence when required by regulations.
  - f. Loss Claims. The lender will submit an estimated loss claim to the Agency in the event liquidation will exceed 90 days. Estimated and final claims will be processed in accordance with the terms described in Agency regulations.
10. **Servicer** - If the lender contracts for servicing of guaranteed loans, the lender is not relieved of responsibility for proper servicing of the loans.

**Part F - Agency Reviews of Lender's Operations**

The Agency may conduct reviews, including on-site reviews, of the lender's operations and the operations of any agent of the lender, for the purpose of verifying compliance with this agreement and Agency regulations and guidelines. These reviews may include, but are not limited to, audits of case files; interviews with owners, managers, and staff; audits of collateral; and inspections of the lender's and its agents underwriting, servicing, and liquidation guidelines. The lender and its agents shall provide access to all pertinent information to allow the Agency, or any party authorized by the Agency, to conduct such reviews.

**Part G - Conformance to Standards**

1. The lender shall conform to the standards outlined in this agreement and Agency regulations for participation in the Agency's guaranteed loan program. CLP and PLP must maintain compliance with the criteria set forth in 7 C.F.R. part 762. The Agency shall determine lender adherence to the standards based on:
  - a. Adequacy in meeting requirements for origination, servicing, and liquidation of loans and lines of credit, including protection of collateral;
  - b. Satisfaction of the reporting requirements of the Agency;
  - c. Success in operating in a sound, prudent and businesslike manner;
  - d. Portfolio performance compared to overall performance of the Agency's guaranteed loan program; and
  - e. Results of on-site reviews of the underwriting and servicing performed by the lender.
2. **Determination of Non-Conformance** - The Agency shall carefully consider the circumstances and available facts in determining whether there is a pattern of lender non-conformance with applicable standards. The Agency shall determine the propriety of any decision made by the lender based on facts available at the time the specific action was taken. It is understood by the Agency and intended by this agreement that the lender has the authority to exercise reasonable judgement in performing acts within its authority. However, the Agency reserves the right to question any act performed or conclusion drawn that is inconsistent with this agreement or Agency regulations or prudent lending practices.
3. **Agency Action** - If the lender is determined to be in non-conformance with any Federal law, State law, Agency regulation, or guideline, or the terms of this agreement, the Agency may take action in accordance with its laws and regulations.
4. **Lender Right of Appeal** - The Agency will provide the lender an opportunity to appeal adverse Agency actions in accordance with Agency regulations.

**Part H - List of Agency Regulations and Guidelines and Designation of Lender Authority to Perform Certain Acts**

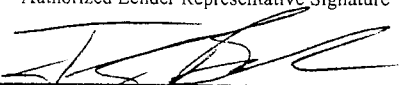
1. **List of Agency Regulations** - The guaranteed loan program is administered under 7 C.F.R. part 762. The lender is required to comply with these regulations as well as any future amendments not inconsistent with this Agreement.
2. **Authority to Perform Certain Acts** - Agency regulations describe the authorities and responsibilities for lenders. In addition, PLP will process and service loans as described in their application for PLP status approved by the Agency. This application is described in the preferred lender program attachment to this agreement. The lender further agrees to inform the Agency and obtain approval on changes to any policy or process described in the application for PLP status.

**Part I - Duration and Modification****1. Duration and Termination**

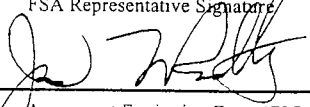
- a. **Duration and Agreement** - For CLP and PLP, the Agreement is valid for five years unless terminated by the lender or the Agency as described below or revoked according to Agency regulations. For SELs, this agreement will be valid indefinitely unless terminated by the lender or Agency as described below.
  - b. **Modification of Agreement** - This agreement may be modified or extended only in writing and by consent of all parties.
  - c. **Termination by Agency** - This agreement may be terminated by the Agency in accordance with Agency regulations.
  - d. **Termination by the Lender** - This agreement may be terminated by the lender by providing 30 days written notice to the Agency.
  - e. **Effect of Termination on Responsibilities and Liabilities** - Responsibilities or liabilities that existed before the termination of the agreement with regard to outstanding guarantees will continue to exist after termination unless the Agency expressly releases the lender from such responsibilities or liabilities in writing. The lender shall remain obligated to service and liquidate the guaranteed loans remaining in the portfolio unless and until the Agency or the lender transfers the loans. These requirements concerning loan management by the lender and rights of the Agency under this agreement shall remain in effect whether the agreement is terminated by the lender or Agency.
  - f. **Revocation of CLP or PLP status** - If the Agency revokes CLP or PLP status, loans made while the lender held this status must continue to be serviced under this agreement and according to Agency regulations applying to SELs or CLP, whichever status the lender then holds.
2. **Entire Agreement** - This agreement, Parts A through K inclusive along with any attachments, and any regulations or guidelines incorporated by reference shall constitute the entire agreement. There are no other agreements, written or oral, regarding the terms in this agreement which are or shall be binding on the parties.

**Part J - Certification**

*I certify that I have read and understand the requirements in the agreement, and in 7 C.F.R. part 762, and agree to the participation requirements and other provisions of this agreement.*

1. Name and Title of Lender Representative Johnny Baker Vice President	2. Authorized Lender Representative Signature 	Date 06-01-2004
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**Part K - FSA Use Only**

1. Name and Title of FSA Representative for Carolyn B. Cooksie, Deputy Administrator for Farm Loan Programs	2. FSA Representative Signature 	Date 6/15/04
3. Effective Date of Agreement June 22, 2004	4. Agreement Expiration Date (CLP and PLP only) June 22, 2009	

**NOTE:** The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a): the Farm Service Agency (FSA) is authorized by the Consolidated Farm and Rural Development Act (7 USC 1921 et seq.) and the regulations promulgated thereunder, to solicit the information requested on this agreement. The information requested is necessary for FSA to determine eligibility for guarantee or other financial assistance, service your guarantee, and conduct statistical analyses. Supplied information may be furnished to other Department of Agriculture agencies, the Department of the Treasury, the Department of Justice or other law enforcement agencies, the Department of Defense, the Department of Housing and Urban Development, the Department of Labor, the United States Postal Service, or other Federal, State, or local agencies as required or permitted by law. In addition, information may be referred to interested parties under the Freedom of Information Act (FOIA), to financial consultants, advisors, lending institutions, packagers, agents, and private or commercial credit sources, to collection or servicing contractors, to credit reporting agencies, to private attorneys under contract with FSA or the Department of Justice, to business firms in the trade area that buy chattel or crops or sell them for commission, to Members of Congress or Congressional staff members, or to courts or adjudicative bodies. Disclosure of the information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Tax Identification Number, may result in a delay in the processing of an application or its rejection.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0155. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. **RETURN THIS COMPLETED FORM TO YOUR LOCAL FSA OFFICE.**

**PREFERRED LENDER PROGRAM  
CREDIT MANAGEMENT SYSTEM SUMMARY**  
ATTACHMENT TO FORM FSA-1980-38 "LENDER'S AGREEMENT"

PRESENTED TO  
UNITED STATES DEPARTMENT  
OF AGRICULTURE

BY

CENTRAL NATIONAL BANK  
POTEAU, OKLAHOMA

**PREFERRED LENDER PROGRAM**  
**CREDIT MANAGEMENT SYSTEM SUMMARY**  
ATTACHMENT TO FORM FSA-1980-38 "LENDER'S AGREEMENT"

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**PREFERRED LENDER PROGRAM  
CREDIT MANAGEMENT SYSTEM SUMMARY  
ATTACHMENT TO FORM FSA-1980-38 "LENDER'S AGREEMENT"**

**Central National Bank  
Poteau, Oklahoma**

This attachment contains the credit management system requirements agreed to by the Central National Bank (Lender) in Poteau, Oklahoma. The following information summarizes the credit management system requirements provided in the lender's May 20, 2004, request for preferred lender status, with attachments and exhibits. Requirements for loan administration, servicing and reporting activities not specifically addressed in this attachment are governed by the attached form FSA-1980-38 "Lender's Agreement," and 7 CFR 762.

**I. GENERAL OPERATIONS**

**A. Normal Trade Area.**

Central National Bank has defined its normal trade area for conventional loans are LeFlore and Haskell County's. The trade area for those loans guaranteed by a government agency will be defined by the lender's agreement between the Bank and that particular government agency. The desired trade area for FSA Guaranteed loans is the State of Oklahoma.

Loans would be considered outside the normal loan area if loan servicing were limited. For example, integrated broiler or pork contractors where the production check is sent to the Lender could be considered. Livestock and chattel loans that are not cross-pledged with real estate are not desirable outside the trade area due to extensive servicing demands. The Lender will contact the appropriate FSA office for guidance when submitting requests for a guarantee outside the normal trade area.

The primary commodities in the Lender's area are beef cattle, swine, and poultry production, traditional and nontraditional crops.

**B. Officers' Lending Authority.**

Chris Fenton Executive Vice President of has the authority to approve loans meeting all credit standards up to \$150,000 for guaranteed loans and \$100,000 on non-guaranteed loans. Mr. Fenton also has the authority to approve additional non-guaranteed loans to guaranteed loan customers whose total indebtedness exceeds his lending authority.

Non-guaranteed loans up to \$40,000 can be made to these customers without committee approval, as long as the customer's CNB non-guaranteed debt does not exceed \$100,000. Loans requiring an exception to credit policy and loans in excess of \$100,000 are presented and approved by our Loan and Discount Committee. All loans in excess of \$500,000 must be approved by the Loan and Discount Committee with concurrence from the Board of Directors (Board).

Other authorized guaranteed loan officers and approval limits are as follows:

Johnny Baker	Vice President	\$25,000
Tracey Smith	Vice President	\$40,000

To assure no actual or potential conflicts of interest exist, loan approvals and major servicing actions involving bank employees (including directors) or their close relatives will be approved by the loan officers' committee with concurrence from the board.

#### **C. Policy Exceptions.**

Loans are expected to meet all of the Lender's established standard credit factors. Loans not meeting these standards may be considered on a case-by-case basis. If a credit standard is not met, the application must exhibit offsetting strong credit factors to be considered and may require an FSA guarantee. Deviations from standards will be fully justified and approved by the Loan and Discount Committee. If a guarantee is requested, the exception of offsetting strengths will be clearly identified and decisions justified in the narrative submitted to FSA.

#### **D. Interest Rate, Loan Terms and Fees.**

The Lender will not charge its guaranteed loan customer's rates which exceed those charged to the Lender's average farm loan customer. As a rule, interest rates are established at an annual rate of interest of the Chase Prime rate plus 1 percent ( floor of 6% and a ceiling of 21%). This rate may vary according to cash flow, credit quality, and collateral.

Repayment terms are based on the type of agriculture entity involved and cash flow stream. Payments are structured to be collected either annually, a semi annually or monthly. Loan terms will be dependent upon collateral type, loan purpose and the expected economic life of the collateral securing the loan. Lines of credit will be extended for up to five years are scheduled to be repaid as the income from the farm production is received. Equipment and breeding livestock loans will be scheduled to be repaid in no more than seven years. Loans secured by real estate may be amortized for up to 20 years.

Fees charged to guarantee customers will not exceed those charged to the Lender's non guaranteed customers for similar transactions. The Lender does not charge fees for origination or packaging of agricultural loans. Fees will be charged for appraisals and credit reports, and any fee paid to a government guarantee agency will be passed on to the borrower.

**E. Internal Credit Review System.**

Central National Bank has an ongoing internal review program, conducted by an internal loan review officer. This officer serves as an independent, objective, active means for monitoring adherence to Lender policies and procedures as well as assessing the accuracy of the credit and performance classifications and identifying credit administration weaknesses. The loan review officer will review a significant number of loans and servicing actions, based upon a sampling of those areas that present the greatest risk to the Lender, including an annual review of credit administrations on all customers with more than \$50,000 of unguaranteed debt.

The loan review officer will provide the Board and senior management a monthly report of key review's results, including credit quality and credit administration deficiencies and adherence to policies and procedures. The officer will also review the results of the individual loan reviews with the loan officers, who will be responsible for resolving any deficiencies in their portfolio. The loan officers will report monthly to the Loan and Discount Committee on the status of corrective actions on identified deficiencies.

Central National Bank is a subsidiary of Central Bancshares of Poteau, Incorporated, a single-bank holding company. The bank employs an independent internal auditor who regularly reviews loans for compliance and proper credit administration. Deficiencies are printed out on a monthly basis and each officer is expected to resolve any deficiency pertaining to his portfolio in a timely manner.

**F. Use of Agents, Consultants and Packager's.**

Central National Bank has used agents or packager's in the past and plans to use this type of assistance in the future, as need arises. Typically, loan requests are originated and packaged by the Lender. Unsolicited loan proposals' presented by private consultants may be considered; however, the application will be analyzed and presented by a bank loan officer.

**G. Organizational Structure.**

Central National Bank is a wholly owned subsidiary of Central Bancshares of Poteau, Incorporated, a single-bank holding company. The bank's main office is located in Poteau, Oklahoma. Central National Bank is subject to credit examination and

supervision by the OCC.

#### **H. Loan officers' Qualification.**

Chris Fenton, Executive Vice President, will be in charge of the guaranteed loan program. Mr. Fenton has 17 years experience in the field of agriculture lending and eight years experience in processing FSA Guaranteed loans.

Tracey Smith, Vice President, has 20 years experience in Agricultural lending. He worked for FmHA for 2 ½ years as County Loan Assistant. Since that time, he has been employed as an Agricultural Lender for two banks, and spent seven years running his own guaranteed loan packaging and consulting business.

Johnny Baker, Vice President, has five years experience in Agricultural lending and has 2 ½ years experience as County Agricultural Agent for Oklahoma State University Cooperative Extension Service.

#### **I. Monitoring Compliance with FSA Requirements.**

The Agriculture Lending Department has four loans officers with responsibility for originating and servicing FSA guaranteed loans. These loan officers are responsible for assuring that all FSA requirements including reporting requirements have been met. The loan review officer will also monitor compliance with FSA requirements and notify the loan officer and senior management of any deficiencies.

#### **J. Investigation of Environmental Issues.**

This CMS is not intended to approve the Lender's environmental forms or procedures. The Lender will work with the Oklahoma State FSA Office to assure environmental policies and procedures are in compliance with FSA requirements. Certain types of operations are more likely to have environmental problems. Large livestock operations, those that use large amounts of pesticides and fertilizers, and those with underground storage tanks are higher than normal environmental risk and will be thoroughly evaluated.

Real estate appraisers approved by the Lender are required to disclose any environmental issues in their appraisals.

In all cases where real estate will be taken as primary security, the loan officer completes a pre-loan site visit and a questionnaire. During this site visit, loan officers look for indications of environmental concerns, such as soil conditions in the area that might suggest contamination or the presence of underground storage tanks. In all cases, the borrower is required to complete a questionnaire which contains information

regarding the previous ownership and present and previous uses of the borrower's real estate and facilities.

If environmental issues do arise, FSA and the Natural Resources Conservation Service are notified. A site visit is arranged among all parties concerned and the problem is evaluated to determine whether to continue with the loan, subject to conditions, hire an environmental professional to conduct a Site Assessment, or deny the loan. Central National Bank works closely with environmental agencies to assure compliance with litter/waste water and dead animal disposal on all Confined Animal Feeding Operations (CAFO).

#### **K. Requesting a Guarantee.**

Before submitting an application, the Lender will make a site inspection to assess the suitability of the farm and complete environmental due diligence, as appropriate.

When requesting a guarantee, the Lender will submit the following information to FSA:

1. A complete "Preferred Lender Application for Guarantee" (FSA-1980-28);
2. A complete loan narrative, discussing history of the operation, credit worthiness and including a description of the location of all farmed land (a sample loan narrative was submitted with the request for PLP status);
3. If Interest Assistance is requested, a completed Part G of "Application for Guarantee" (FSA-1980-25), a projected cash flow, and current balance sheet; and
4. When the applicant is an entity, the names, social security numbers, and percent ownership for each entity member (entity information will be addressed in the loan narrative).

## **II. LOAN ANALYSIS / UNDERWRITING**

The Lender uses ECI Farm Equity Manager Computer loan analysis system. This system is required for all guaranteed borrowers.

The analysis for an application where a guarantee is requested will be as stringent as the analysis performed for a similar Non-guaranteed loan application. If a loan exhibits weaknesses in a credit factor, the loan narrative will clearly discuss how the weakness will be offset by other strengths and compensating factors. The loan narrative analysis will address all credit factors and conformance to standards, and will also include a description of the location of all farmed land. The depth of the narrative will be such that a reasonable person, knowledgeable and experienced in the extension of credit, would understand the loan and conclude that the credit risk had been sufficiently analyzed. A sample loan narrative was included with this Credit Management System

(CMS) summary for review.

A sample Credit Presentation, Pro Forma Cash Flow Budget, Balance Sheet Trend with scheduled and Income Trend were included with the CMS for review. The Credit Presentation includes a narrative addressing the credit factors.

#### **A. Management Ability/Credit History Analysis**

The applicant's management ability, character and credit history are significant parts of the credit decision. A thorough evaluation is especially critical when the Lender is considering extending credit to a new customer. A field visit will be conducted by the loan officer to evaluate the applicant's ability to manage the operation and to determine the suitability of the land and facilities to the loan request.

**Required credit references.** A credit report from a credit reporting bureau is included and maintained in the credit file for all new borrower applications and all loans that have any significant weakness. A credit report is required for any loan considered for an FSA guarantee. Any debt to be refinanced will be verified in writing. All significant debts not reflected on the credit report will be verified by phone or mail. A five-year UCC lien search of Oklahoma County Clerk filings is used to further verify debt and to confirm that all debts are accounted for. Businesses that a new customer works with, such as veterinarians and feed and fertilizer dealers will be contacted for references regarding how the applicant farms and handles his financial business with them.

If credit history reflects a bankruptcy, charge off or repossession, the applicant is typically declined. In cases where bankruptcy, charge off or repossession, is due to circumstances beyond applicants' control the loan request may be referred to the Loan and Discount Committee for consideration. If there is a slow pay and the applicant has unforeseen circumstances, a letter of explanation will be requested, if not provided.

**Young or beginning farmers.** The extension of credit to young and beginning farmers is an appropriate use of loan funds. Loans to young and beginning farmers must meet the same underwriting standards as other applicants, and will be considered for an FSA guarantee.

**Previous participation in government lending programs.** If an applicant discloses previous participation in government lending programs, the Lender will call or write the agencies involved and verify repayment performance. If FSA credit is involved, the Lender will verify the applicant's continued eligibility. The agency reference must indicate acceptable credit and borrower compliance with loan terms, or the loan request will be denied.

## **B. Capacity Analysis.**

**Determining repayment capacity.** Debt Repayment Capacity is the measurement of a borrower's ability to repay capital debt, based on an analysis of the operation's profitability. The applicant's ability to service the proposed debt plus existing debt and contingent liabilities is evaluated for all loans with the use of a cash flow budget. In addition, a modified cash flow analysis including accounting for crop carryover, prepaid expenses, and carryover debt will be conducted.

For loans exceeding \$50,000, at least three years of history of farm income, expenses and farm production are analyzed with adjustments pertaining to any changes in the operation. For loans of \$50,000 or less, at least two years of financial information is recommended; however, an analysis of only one year's information is required.

Non-farm income, if it is essential to cash flow, is confirmed with employment verification or other sources as needed. Tax returns are utilized to obtain an average if the Non-farm income is from a source other than the applicant's employer. Other income projections will be based on historical data/tax returns with consideration given to any contractual agreements.

Adequate capacity is necessary to protect the interest of the Lender. While it is preferred that an average historical cash flow meet coverage ratio requirements, a pro forma cash flow is acceptable where deemed appropriate and adequately justified by the loan officer. At a minimum, a cash flow margin of 100% with an FSA guarantee could be acceptable, with mitigating strengths in collateral and other credit factors.

If an applicant temporarily does not have the financial resources to project a 100% cash flow, the Lender will consider using FSA's Interest Assistance Program for operating loans. To request Interest Assistance, the Lender will submit to FSA a completed part G of Form FSA-1980-25, a projected cash flow and a current balance sheet, along with the PLP application for Guarantee and loan narrative (as described in Section K). The Lender will clearly explain in the narrative why the producer cannot meet the capacity requirements without a reduced interest rate, but can cash flow at the reduced rate, and will discuss the offsetting credit strengths in the loan narrative. The Lender will not request Interest Assistance to expand the applicant's farm operation.

## **C. Capital Analysis.**

Capital refers to the financial strength of the business as measured by solvency and liquidity. Asset quality, debt structure and financial trends of the business will be based on accurate and verifiable historical and current balance sheets, together with income and expense statements of comparable dates.

The Lender's credit standard requires a current ratio of 1:1. Loan requests with less than 50% equity are assessed based on cash flow and leverage position. Applicants must have or project sufficient working capital. Loan requests with less than 50% owner equity will be considered for an FSA guarantee. Even with strong cash flow and an FSA guarantee, a minimum of 20% owner equity is required to purchase real estate. The Loan and Discount Committee may make exceptions to the owner equity requirement and current ratio.

**Supporting schedules.** The financial statements on the loan request must be no more than 90 days old. The financials must be supported by tax returns, sales receipts or any other available data.

**Entity consolidation process.** When the applicant is an entity, the balance sheet of each liable party and the entity itself will be obtained. In addition, consolidation of financial information is required when a corporation or formal partnership entity applies for a loan. When income is derived from several sources, consolidation of the entities is required. All assets, debts and income are combined.

#### **D. Collateral analysis.**

Collateral addresses quality of the asset, value, title and lien position, and relationship between the loan collateral value, stability, and marketability. Adequate collateral provides protection from loss if the loan defaults.

The Lender's collateral credit standards are:

Crops	80% Loan to Value (L/V)
Feeder Livestock	80% L/V
Equipment	80% L/V
Breeding Livestock	80% L/V
Real estate	80% L/V

Loan and Discount Committee may make exceptions to the above loan to value requirements. In cases where exceptions are granted credit worthiness and cash flow will be essential to approval by the Loan and Discount committee.

Hard security will be taken for annual operating loans whenever it is available.

Loan applications that do not meet these minimum standards will be carefully analyzed, and should be considered for an FSA guarantee. The credit decision will be based on the strength of the cash flow and other credit factors. Even with an FSA guarantee, adequate collateral will be taken to protect the interest of the Lender and the Government. The loan officer will clearly disclose the exception to the standard and



discuss mitigating strengths in other credit factors. This information will be included in the narrative submitted to FSA.

**Insurance.** Insurance on improvements on real estate is required for the amount of the value or the debt owned, whichever is less, as determined by the current market value of an appraisal. An exception to this requirement is made when the value of the land, determined by the current market value of an appraisal, is greater than the debt. No insurance is required on the improvements in this situation. Typically, insurance is required on farm equipment and vehicles. The bank will charge a fee for VSI (Vendor Single Insurance) insurance on all vehicle and equipment loans to protect the bank's interest. The bank may also force place insurance on real estate improvements when needed to protect the bank's interest.

**Appraisal guidelines.** Appraisals will be obtained on all primary security and will be performed by a qualified appraiser. Appraisals performed by the Lender will not be completed by the loan officer in charge of the credit. An appraisal review process is performed by the lender to check for deficiencies.

Crops will be valued at a lessor cash input cost or market.

Equipment is itemized on a property list, and the appraised value is based on auction sales. The appraiser attends numerous auctions to establish values. *The Hot Line Equipment Guides* is used for references when applicable.

Cattle are valued from current auction values and/or contract prices.

All real estate appraisals, regardless of size, will be in compliance with USPAP. Appraisals for all real estate loans of \$30,000 or more are performed by state Certified General Appraisers. Appraisals must be current or no more than 12 months old. Appraisals for real estate loans less than \$30,000 may be completed by two of the banks loan officers not associated with the transaction.

Chattel appraisals will be performed by appraisers who possess sufficient experience or training to establish the market (not retail) values.

**Verifying ownership of assets.** The ownership of assets being pledged as collateral is verified by several means. Real estate ownership is verified with Title Insurance and/or Title Opinions. Ownership of chattel property is accomplished by visual inspection, a bill of sale or a search of UCC filings. If doubt exists, the depreciation schedule of the applicant's income tax return will be reviewed. Documentation of the above verifications is entered into the file for record.

**Verification of prior liens.** Prior liens are verified with a five-year UCC lien search of

Oklahoma County Clerk filings. If a lien is noted, the Lender contacts the secured creditor to assess the lien. Occasionally, secured creditors are called to clarify discrepancies.

**Requirements for perfecting liens.** A mortgage is filed of record to perfect real estate liens. UCC-1 forms are filed to perfect liens on chattels. Prior to the above, a preliminary title opinion or title insurance binder is requested to insure proper position of real estate. After filings are completed, a final title opinion or title insurance is requested to verify first mortgage position on real estate.

When liens are taken on fixtures, they are filed with the same standards. UCC liens are always tied to the note and security agreements. Model and serial numbers are required for equipment unless non-existent.

#### **E. Condition**

Loan conditions address loan purpose, loan amount, loan structure, and pricing, scope of financing or requirements unique to a loan. These conditions need to balance credit risk with effective loan conditions and controls. Conditions are added as loan risk increases. The conditions of approval are based on the analysis of the credit factors identify applicant creditworthiness and risk. Examples included additional monitoring, collateral insurance, etc., to reduce the risk exposure of any particular loan. A loan agreement will be completed if necessary, on a case-by-case basis.

**Disbursement of loan proceeds.** Each loan with multiple draws requires a line of credit agreement perfected as part of the loan. The agreement specifies terms for draws from the line, and no funds are dispersed without compliance. Each file has an advance ledger in place to document date, amount and use of proceeds.

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### III. Loan Servicing/ Administration System

#### A. General Servicing.

**Borrower monitoring and supervision.** Borrowers will be monitored for financial performance to determine the level of risk to the lender. The condition of agricultural loans will be reviewed on an annual basis.

Annual borrower review documentation will include the following:

- Updated annual inspections of livestock and equipment.
- A current balance sheet for borrower, entity members and any personal guarantors.
- An analysis of current assets, crop condition, livestock condition, prices and the likelihood of payment of operating and term debt obligations due in the current cycle.
- An income and expense statement, such as IRS Form 1040, Schedule C or F, Farm Equity Manager Report, customer's computerized records or similar form.
- A comparison of projected to actual financial results and trends.
- Cash flow projections for all interest assist loans and all line of credit borrowers.
- Review of capital purchase and consumer credit needs projected for next year.
- Assessment of farm and farmstead condition.
- For borrowers with aggregate debt of more than \$50,000, the Loan and Discount Committee will review quarterly.

#### EXCEPTIONS:

- (1) Borrowers with term loans secured by real estate which are performing as agreed are required to submit only a balance sheet each year. An inspection will be performed when the balance sheet indicates financial deterioration. Any request for additional farm operating or purchase money will be accompanied by a current balance sheet and income statement (tax return).
- (2) Borrowers who do not borrow money for operating need and maintain sufficient cash deposit accounts with the Lender to pay 12 months of installments on their term debts are only required to submit a financial statement every three years.

**Monitoring security.** Acquisition and lien priority of planned capital purchase or ownership of basic security will be verified. Methods for verification include physical inspection visits by loan officer, a bill of sale, vehicle title, deed, lien search or another method as appropriate.

Proceeds from the sale of security will be applied to the debt according to lien priority. Where multiple loans are secured by a blanket lien or chattel security, crop and livestock, income will be applied to the annual operating debt incurred to produce that item before being used to pay term debt installments. Loan officer may release income from annual income security for farm operating and essential family living expenses.

The source of proceeds, including bushels, weights and size will be verified with receipts in those cases where the borrower's records are not accurate. Income from sales in one cycle that is not received until the following cycle (e.g., overlaps income, retains, dividends) will be applied to any outstanding debt associated with the production of that commodity.

Term debt collateral sales proceeds will not be used to make scheduled term debt installments, unless approved by Loan and Discount Committee.

**Advances on lines of credit.** Advance requests may be made by telephone, electronic mail or other method. The request and its use will be acknowledged in writing on an advance record by the borrower during his/her next physical office visit, or by copy of a check written on the account where disbursements are deposited. Each year, the ability to meet all financial obligations will be documented with an annual cash flow projection before the operation is financed for another year.

Advances and payments will be approved by a loan officer and made by a loan administration technician. Loan ledgers are updated daily for advances and payments. Livestock operation lines of credit are also tracked using livestock inventory control records and inspection reports.

**Emergency advances.** A moderate advance in excess of the loan amount may be made when an aberration causes expenses to exceed the original budgeted amount, and the advance is necessary to avoid significant damage to our loss of the loan security. The reason for the advance and the financial benefit to be derived from it will be documented in the loan file.

**Construction loans.** Loans made for development will require that the lender be provided with a copy of plans, specifications and construction contracts. Lender endorsement of the method of construction is required. Advances on construction loans will be made based on the level of completion after verification by loan officer visual inspection.

**Partial releases.** Security may be released without FSA Concurrence (1) when the security item are being sold for market value and the proceeds will be applied to the loan in accordance with lien priorities; (2) when the security item will be used as a trade-in or source of down payment funds for a like-item that will be taken as security; or (3)

when the security item has no present or prospective value.

**Cull and replacement policy.** Breeding livestock sales proceeds will be treated as normal income when herd size and value is maintained at a level at or above that which existed at loan inception as verified by periodic inspections.

All other releases without compensation will meet FSA regulatory requirements and require loan committee approval. Details of the transaction will be documented in the credit file.

**Release of borrowers.** Obligated parties, including entity member, personal guarantors, cosigners, or joint operators, are not released from liability except when the debt has been paid or refinanced, or on a case-by-case basis, with Loan and Discount Committee concurrence and FSA written approval.

**Additional loans.** The Lender may make consumer, residential and commercial loans to guaranteed loan customers as part of ongoing relationships. If non-guaranteed loans are made, security will not be intermingled and payments will be applied to any guaranteed loan first.

**Lender reporting.** Loan status reports will be provided to FSA semiannually, and default status reports will be provided every 45 days after default and every 60 days thereafter until loan is paid current.

## **B. Delinquencies.**

**Distressed Loans.** If the annual analysis or any information provided by the borrower indicates that the borrower will have difficulty meeting their obligations, servicing options to improve the customer's situation will be explored before actual default occurs.

**Reminder notices.** For annual payment borrowers, the reminder notices are mailed 30 days prior to the installment due date. The reminder notices are not mailed for monthly or quarterly payment borrowers.

### **Default notices.**

10 days past due: Delinquency notices are mailed and responsible loan officers are notified.

30 days past due:

- Written borrower default notification and request for payment are mailed.
- Loan officer contacts the borrower by telephone and a meeting is scheduled

within 15 days. A short-term extension at the meeting date may be granted to allow the borrower time to assemble the required information.

A summary of attempts to schedule a meeting, reason's delays are granted, agreements reached and actions taken will be documented in the customer file.

The loan officer presents a report on the prospective servicing plan to the Loan and Discount Committee.

The loan officer notifies the secondary market holder, if applicable, of the Lender's intentions to repurchase or request that the holder agree to the rescheduling.

45 days past due: Form FSA-1980-44 is submitted to FSA outlining results of meeting or attempts to schedule a meeting and planned collection activities.

60 days past due: If no meeting has been held, or if meeting results are inconclusive, a second default notification is mailed. In Oklahoma the borrower is offered the opportunity to participate in mediation by written notice.

90 days past due: A plan for cure of the default will be in place unless an extension is granted. The reason for the extension (including pending mediation) will be documented in the customer file and initialed by the loan officer's first line supervisor.

120 days past due: Restructuring agreements will be consummated or extension justification will be documented.

Every 30 days:

- Loan officer reports to the Loan and Discount Committee.
- The borrower is contacted (by phone or in writing) if a plan has not been completed.
- Notation is made in the file as to status of default.

Every 60 days:

- Default status report updates are provided to FSA until default is cured.

**Restructuring delinquent loans.** If a defaulted borrower is unable to pay the account as agreed, he or she may request and present a plan for restructuring based on probable financial performance. Debt restructuring will be approved in lieu of liquidations when financially prudent and feasible.

All debt restructuring will be done in accordance with 2-FLP Manual.

**Debt Writedown.** Central National Bank has a policy that debt writedown will only be used as a last resort upon the advice and written approval of the FSA. Typically, no debt writedown will be considered.

### **C. Other Servicing Actions.**

**Non-monetary default.** Upon occurrence of unauthorized use of loan funds, insurance lapse, security depletion, death, abandonment, conversion, etc., notice of default is mailed and the borrower is provided 30 days to take corrective action.

**60 days past due.** Borrowers in Oklahoma may request to mediate the defaulted debt through the Oklahoma Mediation Program. Lenders who loan to commercial agricultural producers are required by State statute to participate in farmer creditor mediation. If a borrower requests mediation in Oklahoma, the Lender will attend and participate in mediation meetings in good faith. Forced liquidation actions may be postponed for up to 60 days when mediation is pending if security is not deteriorating.

**90 days past due.** At 90 days past due, (earlier if non-monetary default, no prospect for repayment or the borrower is uncooperative) the borrower will be notified that loan is due in full and the Lender intends to remedy default by legal action. The account is placed on a non-accrual basis. A plan of action is prepared by the loan officer and presented to the Loan and Discount Committee. For guaranteed loans, an estimate of the amount to be lost on the loan is prepared and a claim form, supporting calculations and a current ledger are submitted to FSA.

**120 days past due.** The loan is referred to the lender's legal counsel for collection action. The loan officer will attempt to take possession of chattel security if relinquished by the borrower.

Note: The above time lines are recognized as target dates, however, circumstances beyond the banks control can and will affect the timeliness of the bank's efforts. Central National Bank realizes that prompt action is essential for curing default and minimizing losses.

**Acceleration.** Acceleration will be automatic at the Lender's option upon borrower violation of any loan terms and written notification to the borrower.

**Bankruptcy.** In the event of bankruptcy, the Lender will undertake all actions necessary to protect and preserve the collateral.

### **D. Termination, Liquidations, and Final Loss Claims.**

Supporting documents will be developed meeting FSA regulatory requirements for any loss claim. This will include a plan of liquidations, including cost of liquidation and expected time frames. The liquidation plan will be kept in the borrower's case file.

Loans made with FSA application forms FSA-1980-28 with the revision date of July 20,

2001, are subject to Federal offset.

**Voluntary Liquidation.** The borrower will be provided 30 days from acceleration to liquidate or agree in writing to a plan for voluntary liquidation of all loan collateral. Voluntary plans will include contingencies for failure to meet plan milestones. A release of the borrower from continued liability may be agreed to as part of a voluntary plan if written agreement is obtained from the FSA State office.

**Protective advances.** Moderate protective advances not to exceed \$10,000 without FSA concurrence may be made to protect the value of the collateral.

**Acquisition of real estate security.** The responsible loan officer or workout officer will review the collateral for possible environmental liability. If environmental problems are found, the Loan and Discount Committee will make a decision on the acceptance of a deed in lieu of foreclosure or assessment of protective bids to be made at foreclosure. For FSA guaranteed loans, FSA will be consulted regarding the method of sale or establishing foreclosure bids on any properties whose value has been substantially reduced by the presence of hazardous waste.

**Judgments.** Judgments will be sought in all forced liquidations if the assets and resources of the borrower and/or grantors are available, or potentially available, to satisfy the cost of the action.

**Release from liability.** Borrowers may be released from liability after all security is liquidated and all sources of collection of the unpaid debt are pursued in the case of a guaranteed loan. The loan officer will obtain FSA written concurrence when the borrower is to be released of liability on guaranteed loans. Releases will only be recommended by the Lender with the concurrence of the Board.